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Elegant Disruption:

How luxury and society can change each-other for good

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Elegant Disruption:

How luxury and society can change each-other for good

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Abstract

This paper outlines the contemporary luxury sector, showing it is global, thriving and influential. It shows how creative destruction is typical in most industry sectors, including luxury, and how disruptive innovation by entrepreneurs is key to that process. It proposes that the current time is potentially disruptive for incumbent luxury brands and groups, due to five key trends that are beginning to re-frame the markets that luxury brands sell to. Sustainable luxury entrepreneurs from USA, UK, Philippines, India, Argentina, China and Hong Kong are profiled and described as pursuing “elegant disruption”: a well-designed intervention in markets that both uses and affects aspirations in ways that change patterns of consumption, production or exchange, for a positive societal outcome. The paper reviews the response of mainstream luxury brands to the sustainability agenda, proposing some possible reasons why they appear to be encumbered in embracing this agenda fully. Some of the paradoxes in the notion of “sustainable luxury” are described, in order to draw implications for both the luxury industry and people interested in positive social change. The paper draws upon the authors five years of interaction with the luxury industry on sustainability issues, and is therefore written as a “first person inquiry” and draws upon principles of “appreciative inquiry” in documenting the breakthrough approaches of some sustainable luxury entrepreneurs.

Electric Dreams

Growing up in the UK, the only electric vehicle I knew about was the milk van that came round every morning delivering bottles to our doorstep. I remember the high pitched whine as it moved off down the road. Who wants to be a milkman when they grow up? The uniform, the early starts, the electric cart; it is not that dynamic. Boys prefer jobs driving sports-cars! Other childhood memories I have of electric vehicles are of receding 'geeks'¹ sitting in cramped tubes. Sir Clive Sinclair did not manage to excite people with his *Sinclair C5* electric tricycle². Whether milk carts, golf buggies, or stand up *Segways*, electric transport has seemed rather 'dorky'³. Electric cars were often the subject of jokes by Jeremy Clarkson 'wannabes' (and probably by the *Top Gear* TV presenter himself, but there were some thresholds I would not cross for when researching this paper).

1 Slang word: <http://www.merriam-webster.com/dictionary/geek>

2 It was launched by Sinclair Vehicles Ltd in the United Kingdom in 1985. It sold for £399, but became an object of media ridicule and was a commercial failure, selling only around 17,000 units.

3 Slang word: <http://www.merriam-webster.com/dictionary/dork>

The problem with this electric stigma is that both the problems of city smog and climate change mean we need to stop using hydrocarbon-fuelled ground transport. So step forward a Silicon Valley executive, Elon Musk. The second high-tech entrepreneur turned car maker, would this turn out any better than Sir Clive's geek-mobile?

The *Tesla Roadster*, an all-electric sports car, was launched in 2006. It can rocket from 0 to 60 in four seconds, propelling the image of electric cars from 'geeky' hobby to style sensation. Actor George Clooney and former California Governor Arnold Schwarzenegger were among the first to place orders for the US\$98,000 car. All *Tesla* owners have two options to recharge. They can plug the roadster into a standard wall socket and wait six or seven hours to juice up. Or for less time they can use a recharging station designed by *Tesla Motors*, which the company installed in high-end hotels like the Hyatt, in order to give customers a wider range of recharging options.

Within 5 years the company had delivered more than 1500 Roadsters in over 30 countries. At the 1.618 sustainable luxury fair in Paris, I found myself interested in cars for the first time in decades, and jumping into the drivers' seat (Image 1). The fact I could get in a *Tesla Roadster*, was because an owner of the car was so supportive of the company that he lent the car back to *Tesla* for a week so it could go on display. Now that's a fan. Would you lend your car back to the company? *Tesla* has tapped into something strange, and there are lessons for the luxury industry, the sustainability movement, and anyone interested in innovation (or all three, like me).



Image 1: In a *Tesla Roadster*, at the 1.618 Sustainable Luxury Fair, in Paris

By targeting the luxury segment, *Tesla Motors* built a famous international brand from nothing in a couple of years. The amount of electric luxury vehicles on show at the Geneva car show in subsequent years suggests it made an impact in the luxury car industry already. *Rolls Royce*, for instance, issued a prototype Phantom Electric at the Geneva 2011 car show, to gain customer feedback.⁴ It even led to one entrepreneur deciding to re-launch the *Delorean* sports car in 2013 as an all electric vehicle. "Once we saw *Tesla* do it with the Lotus we thought we could do it with the *Delorean*," explained CEO Stephen Wynne.⁵

One of the anti-laws of marketing luxury that experts Jean-Noël Kapferer and Vincent Bastien (2009) advocated, is "don't respond to rising demand" (p. 66). They highlight how *Ferrari* limit the number of cars they make each year despite far higher demand. Like a queue outside a nightclub, the customer is made to wait, and word gets around that it is worth waiting for. But *Tesla* have gone one better. At the time of writing, they've stopped making their Roadsters altogether, so already they are collectors items. It is not for lack of demand, so why stop now? The answer, and the reason for the disruptive potential of *Tesla*, lies in the bigger picture: a picture far brighter than merely making money.

From the beginning, Elon Musk has maintained that *Tesla's* aim is to have a significant impact on reducing oil consumption by automobiles. "The overarching goal of *Tesla* is to help reduce carbon emissions and that means low cost and high volume. We will also serve as an example to the auto industry, proving that the technology really works and customers want to buy electric vehicles," he explained in 2006.⁶ A few thousand millionaires driving electric vehicles won't do much in a world of one billion cars.⁷ From now on *Tesla* will focus on rolling out its cheaper and more useful sedan car. Their initial focus on luxury was to change the image of electric vehicles, build a brand, and create a viable business to get started. *Tesla Motors* effectively "re-coded" electric vehicles as something desirable, a re-coding process that design philosopher Tony Fry (2009) describes as key to the sustainability transition, and the future of design.

4 BBC (2011) <http://www.bbc.co.uk/news/business-12613063>

5 See the video interview at: BBC (2012) <http://www.bbc.co.uk/news/business-17428818>

6 Exclusive Q & A with Elon Musk on the Tesla Roadster and the future of EVs: <http://www.autobloggreen.com/2006/07/26/exclusive-q-and-a-with-elon-musk-on-the-tesla-roadster-and-the-fut/>

7 http://www.huffingtonpost.ca/2011/08/23/car-population_n_934291.html

In recent years *Tesla Motors* has partnered with various car companies, including Daimler and Toyota, to help them launch their own electric vehicles. Tesla is a catalytic converter of a car company, helping to clean up the whole industry. Investors seem pleased. In June 2010 *Tesla Motors* launched its initial public offering (IPO) on NASDAQ under the symbol TSLA. The IPO raised US\$226 million for the company. It was the first American car maker to go public since the *Ford Motor Company* had its IPO in 1956.⁸ That was during a period when the incumbent US car companies begged for government bail outs to stay afloat.

Tesla Motors is offering “disruptive luxury” as they challenge what we consider to be luxury, and how an industry is structured, and thus threaten the incumbent brands, unless they adopt and adapt. These are positive disruptions, as they enable positive social change, and the potential for a more sustainable role for luxury companies. Sustainability concerns are driving more entrepreneurs to create disruptive luxury companies, and as we will see, they have economic history on their side in the battle with large luxury brands. In this paper we will discover the efforts of such entrepreneurs in fashion, accessories, transport, and jewellery businesses. The efforts, successes and set backs of these ‘elegant disrupters’ are relevant to better understanding of social and environmental change, innovation and entrepreneurship, and the future of luxury. Their stories suggest the importance of connecting to people’s aspirations, in whatever walk of life, to encourage economic and social change. I use the term ‘elegant disruption’ to describe their impact, as they use aesthetics and desire to create a positive change in business and society, whilst also drawing upon their social concerns to create a positive change in aesthetics and desire.

Innovations in the luxury sector are important to sustainable development more widely than the positive and negative impacts through their supply chains. That is because most luxury brands are advertised more than other brands, and communicate notions of the aspirational. They shape what people admire (Chadha and Husband, 2006). In this paper, I outline the contemporary luxury sector, showing it is global, thriving and influential. I briefly describe concepts of luxury, and some of the history of luxury. I contrast its emphasis on heritage and longevity with how creative destruction is typical in most industry sectors, including luxury, and how disruptive innovation by entrepreneurs is key to that process. I argue that these are disruptive times for luxury brands, due to five key trends that are beginning to re-frame the markets that luxury brands sell to. Sustainable luxury entrepreneurs from USA, UK, Philippines, India, Argentina, China and Hong Kong are profiled. I argue that these entrepreneurs can be understood as pursuing “elegant disruption”: a well-designed intervention in markets that both uses and affects aspirations in ways that change patterns of consumption, production or exchange, for a positive societal outcome (see Box 1). I briefly describe the response of mainstream luxury brands to the sustainability agenda, along with some of the reasons why they appear to be encumbered in embracing this agenda fully. Before concluding I describe some of the paradoxes people have identified in the notion of “sustainable luxury” and how some of these could be resolved by embracing an explicitly social role for luxury entrepreneurship, with the necessary openness to learning from critique.⁹

The paper is the result of 17 years researching about and working for sustainable business, and 5 years focused specifically on these issues in the luxury sector. I interviewed a number of luxury entrepreneurs and luxury brand managers, and conversed with many more in conferences, client meetings and by phone or email. Over that time I read analysis in the fields of marketing, communications, luxury brand management, and social psychology. However, my arguments are not the outcome of a structured literature review, research question, data collection and analysis. Rather, they emerge from reflection on my general participation in this field over the 5 years since writing the *Deeper Luxury* report for WWF-UK. The ideas in this paper are therefore simply a series of hypotheses about trends and emerging dilemmas, and I share them to encourage future research on these topics (see Box 2).

8 <http://www.wired.com/autopia/2010/06/tesla-ipo-raises-226-1-million/>

9 I thank Ian Doyle for research assistance, Liesl Larsen for formatting, Claudia Strassburg for proof reading a draft, Tapan Sarker for comments on a draft, Malcolm McIntosh for arranging funding for this research, Miguel Angel Gardetti for funding me to speak at the Sustainable Luxury Awards and thus clarify my thoughts on the last years, and every individual named in this paper for their inspirational work. To those who helped me understand more about the sector but must remain anonymous, thanks.

Box 1: Elegant Disruption

Elegant

1. Tasteful in dress, style, or design,
2. Dignified and graceful in appearance or behaviour,
3. Cleverly simple; ingenious; an elegant solution to a problem.

(*Collins English Dictionary* (2003) Complete and Unabridged, HarperCollins Publishers.)

Disruption

1. To throw into confusion or disorder: Protesters disrupted the candidate's speech.
2. To interrupt or impede the progress, movement, or procedure of: Our efforts in the garden were disrupted by an early frost.
3. To break or burst; rupture.

(*The American Heritage Dictionary of the English Language* (2009) Fourth Edition, Houghton Mifflin Company.)

An elegant disruption is a well-designed intervention in markets that both uses and affects aspirations in ways that change patterns of consumption, production or exchange, for a positive societal outcome.

Box 2: Is this Academic?

Most academic publications are boring to read. They are written in the 3rd person, as part of a spurious claim to objectivity; a concept that has been demolished by social scientists for decades. They tend to spend a third of the paper reviewing literature to justify why their topic is relevant to a specific niche within academia. Then they spend the next third of the paper explaining their methodology. The rest of the paper is taken up with fairly narrow findings. Usually there is just a paragraph or two at the end, which explains the relevance of the study to the “real world” – a paragraph that makes massive assumptions and demonstrates the total lack of context or diverse inputs needed to construct a relevant inquiry. On top of that, due to the time it takes to publish, if the paper could have been relevant to policy and practice, it is usually out of date. Consequently, although social scientists have a privileged opportunity for analysis and reflection that could be relevant to society, they usually have very limited impact on policy and practice. I write this paper in an attempt to bring insights to a wider audience.

For 5 years I have participated as an 'action researcher' in the luxury industry. Action research involves learning about actions by taking those actions. In the past years I sought to influence the practices in the industry, and learn about how to create change by reflecting on my efforts. In that effort I came across entrepreneurs who not only shared my critique but were actively developing alternatives. Therefore, I began to collate my insights on their approaches and successes, as part of an informal “Appreciative Inquiry” that focuses on what the researcher considers positive (Kinni, 2003). My interactions with entrepreneurs were sometimes structured as interviews, but often much more informal. In this study I report on those experiences. It is only my story of reality as I currently see it, not a pretension at describing an ultimate reality.

I extend this action-oriented approach to the writing itself, as I seek to communicate ideas in a way which might be relevant to a broad range of experts, researchers and practitioners, thereby stimulating a broader dialogue on the transformation of business for more fair and sustainable societies. *The Asia Pacific Centre for Sustainable Enterprise* (APCSE) recognises the need for more diversity in communication of insights from academe, including the use of story-telling (Barter and Tregidga, forthcoming). The APWIPPS series also allows flexibility in the method and style of research and its communication. Which is why you can enjoy the paper now, in this format. If the result is still a bit boring, please accept my excuse: I might always be a recovering academic.

Worlds of Luxury

According to the *Oxford English Dictionary*, the noun “luxury” means “a state of great comfort or elegance, especially when involving great expense” and “an inessential, desirable item which is expensive or difficult to obtain” and “a pleasure obtained only rarely.”¹⁰ The idea of what luxury is has changed over time, and reflects social norms and aspirations (Berry, 1994).

Rather than being frivolous, it appears that things associated with “luxury” have had a key role in our social development. Archaeologists studying the oldest human-worked gold ever found, from 5,000BC in the Varna Necropolis in Bulgaria, have concluded that the very first gold objects were made as jewellery, not for money or weapons. This suggests the techniques for gold-smithing were developed out of an interest in beauty and ornamentation, rather than more practical matters. (Higham, et al. 2007). Similarly, many products that are first considered luxury become more widespread in society over time.

In today's marketplace, where brands are widespread, some brands have become associated with luxury. These luxury brands are usually the highest-priced and highest-quality items in any product or service category and provide the consumer with an elite experience or sense of prestige. Mechanical watches, expensive jewellery, high-specification interiors, high fashion, exclusive resorts and top restaurants are considered luxury. Rare and enjoyable experiences also qualify as luxury purchases, and are becoming increasingly popular (Okonkwo, 2007). One global study of consumers of luxury found that “luxury is about the feelings the consumers get in enjoying their luxury lifestyles, so it is very much an experience, rather than a material good one has or one owns. Luxury is being able to pursue one's personal passions and interests” (Conference Board, 2007).

The luxury sector is worth approximately US\$200 billion a year, and is now truly global. The market for luxury goods is expanding fastest in economies with rapidly expanding middle classes, with Asian countries setting the most furious pace (The Independent, 2007). Hong Kong hosts more *Gucci* and *Hermès* stores than New York or Paris. One stunning statistic is that in Tokyo, 94% of women in their twenties own *Louis Vuitton* bags (Chadha and Husband, 2006). China's luxury market is projected to become the world's largest in 2015.¹¹ The luxury market has been resilient during financial crises in the West and was forecast to grow by 65% worldwide between 2010 and 2015 (Data monitor, 2010).

The industry not only creates jobs and profits, but also incurs a range of social and environmental impact. Its sub-sectors include major industrial activities in their supply chains, such as mining, cattle ranching, and large-scale manufacturing. A WWF-UK report on the sector summarised the various social and environmental impacts of luxury companies, from poor mining conditions, to deforestation, to questionable workplace practices (Bendell and Kleanthous, 2007). Some critics question the negative effects of the industry's advertising on body image, attitudes, wealth-distribution and social harmony. Luxury brands spend proportionally more on advertising, public relations, and online media than other brands. Iconic brands such as *Chanel*, *Dior*, *Prada* and *Cartier* influence the beliefs and behaviour of billions of people worldwide (Chadha and Husband, 2006).

The power of luxury advertising is well shown by the history of *De Beers*, the diamond mining company. Prior to the 1930s in the West, most women did not receive diamond engagement rings. The idea that a man should spend a significant fraction of his annual income for an engagement ring originated from *De Beers* marketing materials: they claimed that a man should spend the equivalent of one month's income in the engagement ring (later on they suggested two months' income on it.). *De Beers* decided in the 1960s to promote diamonds for engagement to the Japanese. Prior to that there was rarely any process of engagement before marriage. When the campaign began in 1968, less than 5 percent of Japanese women who were engaged to be married received a diamond ring. By 1978, half of all Japanese women who were married wore a diamond on their ring finger. Japan became, after the United States, the second largest market for the sale of diamond engagement rings. In recent years they have applied

10 <http://oxforddictionaries.com/definition/english/luxury>

11 <http://elitedaily.com/elite/2012/chinese-consumers-luxury-line-2015/>

the same approach in China. Creating demand in this way has implications not only for wealth distribution: it drives demand for new diamond mines. On the one hand, this creates needed jobs and major government revenues, for instance in Botswana. On the other hand, it creates demand that *De Beers* itself does not meet, for diamonds produced in terrible conditions. For instance, Chinese government firms have built – and now defend – the airstrip in Zimbabwe's Marange diamond fields, where human rights violations and environmental destruction are widely reported (Doyle and Bendell, 2011).

The luxury industry is not, therefore, a niche or frivolous concern, but during turbulent economic times, it remains key to manufacturing, design, retail and advertising jobs worldwide, involves significant social and environmental impacts, and plays a major role in shaping aspirations worldwide, for good or for ill. In this paper, I will describe how that power is being used by some entrepreneurs in new ways to create behavioural change for positive environmental and social outcomes.

Creative Destruction in Luxury

Luxury professionals often talk about heritage. They often talk about creativity. Yet there is another side to both heritage and creativity. It is what makes heritage unusual. It is what motivates creativity, what clears the way for it, and what results from creativity. It is destruction. In science, the geological record shows how rates of biological diversity and evolution spiked after the destruction brought by ice ages (Fitch and Ayala, 1995). In philosophy, many ancient traditions remind us that creativity and destruction necessitate each other, a concept that is visually portrayed in the famous multi-armed form of the Indian god Vishnu (Sarvepalli and Moore, 1967).

It is not unusual then that capitalism is typified by “creative destruction” of existing companies, a term popularized over 70 years ago by Joseph Schumpeter (1934). Today the average life span of companies in the *Standard & Poor's* 500 is 15 years (Wharton, 2010). Established companies and jobs often benefit from some level of monopoly power derived from existing technological, organizational, regulatory, and economic paradigms, and it is entrepreneurs who can disrupt that pattern (Perez, 2000). Just as the cassette tape replaced the record, only to be replaced in turn by the compact disc, itself being undercut by MP3 players, we see “disruptive innovations” in all sectors, leading to the creative destruction of existing companies, technologies and associated employment. In luxury this process occurred in watch-making. In 1966, prototypes of the world's first quartz pocketwatch were unveiled by Japanese firm *Seiko* and Swiss firm *Longines* in the Neuchâtel Observatory's 1966 competition. Around that time Switzerland made about 50% of the world's watches. Swiss watchmakers did not commercialise the quartz technology, while *Seiko* did in 1969. Within ten years of the commercial launch of quartz watches, Switzerland's exports of watches had collapsed by half. It recovered by launching the *Swatch*, a quartz watch with a new youthful approach and upmarket brand, and re-investing the revenues into taking Swiss watch-making to higher price-points (Hoosain, et al. 2007).

Why did the Swiss watchmakers not commercialise the quartz technology? Clayton Christensen (1997) has studied disruptive innovation. He concluded that larger companies do innovate, but within the limits of what existing clients expect and what existing suppliers and related professionals are comfortable in providing. These types of innovations he called “sustaining innovations” and do not result in the damage or downfall of established companies. However, some innovations have characteristics that traditional customers do not initially desire, and that are appealing to a smaller set of consumers. They may be less appealing because they are seen as lower quality, or require a change in behaviour or perspective. He documented this by looking at disk drives for computers. He found that some innovations had “a product architecture that was often simpler than prior approaches. They offered less of what customers in established markets wanted and so could rarely be initially employed there. They offered a different package of attributes valued only in emerging markets remote from, and unimportant to, the mainstream” (Christensen, 1997, p. 15). He said that these type of 'disruptive' innovations led to the downfall of many companies as they did not adopt and commercialise the innovations until too late. Christensen found that companies do not adopt disruptive innovations fast enough due to their “value network”, which is the context within which a firm identifies and responds to customers' needs, solves problems, procures inputs, reacts to competitors and strives for

profits. Large companies are not often interested in small markets as the transaction costs are higher. Disruptive innovations are therefore ignored until the market has grown to a size when it is commercially attractive, and during that time, the new companies can develop to a degree where they can threaten the incumbent companies customer base. A Kodak moment soon passes.

As a result of this process there have been a variety of studies on how to innovate, and on how disruptive innovations become widespread. On the first issue, Gary Hamel (2007) has found that a company's management processes — the way it plans, budgets, allocates resources, measures performance, hires and compensates — need to be changed if an organisation is to be more innovative. Most management processes have been designed for discipline, control, alignment and predictability, which can frustrate bold thinking and radical action, and so organisations require more pro-innovation processes. We will return to his ideas when discussing how large luxury firms can respond to elegant disruption.

The second area of inquiry, about how innovations spread, is particularly interesting for understanding the role of "luxury" in processes of creative destruction. The historian of technological change and economic cycles, Carlota Perez (2012), has concluded that for a technological revolution to develop from a speculative "installation phase" to the more beneficial "deployment phase", the new technologies must become aspirational. "What history teaches us ... Is that such changes take place, not by guilt or fear, but by desire and aspiration. For a green style to propagate, it must become the luxury life" (Perez, 2012, p.4).

This analysis of the sociological and psychological factors in creative destruction reinforces the argument that what is considered "luxury" in any society plays a role in innovation and change. This argument also finds evidence in the variety of luxury brands today that relate back to a heritage of a disruptive innovation that resonated with and amplified a technological or sociological change. The leading luxury fashion brand *Chanel* was founded by Coco Chanel in 1913, when she established a boutique in Deauville, where she introduced luxe casual clothes that were suitable for leisure and sport, offering women something far less rigid and uncomfortable than the norm. She explained at the time that "The designers have forgotten that there are women inside the dresses... they must also be able to move, to get into a car without bursting their seams! Clothes must have a natural shape."¹² In the French resort town of Biarritz, in 1915, Chanel created loose casual clothes made out of jersey, a material typically used for men's underwear; a playful use of a material that was cheap, comfortable, and resilient. It was something that many traditional people and traditional businesses were initially repelled by (Charles-Roux, 1979).

The story of Coco Chanel shows how an entrepreneurs' dissatisfaction with norms is key to them breaking norms. It shows also how norm-breaking needs to connect with an emerging need, and Chanel's approach resonated with changes in women's roles and freedoms at the time. It also shows how incumbent firms can dismiss simple innovations because they do not fit with their assumptions. Today, it suggests that if, perhaps because of prior success, you are not dissatisfied with something in your industry, that connects to something meaningful in society, you are ready to be disrupted.

Disruptive Times for Luxury

Despite the strong growth, and partly because of it, there are signs that we are entering disruptive times for the luxury industry. I have identified five trends that are beginning to re-frame the markets that luxury brands sell to: evolving tastes, critical transparency, hyper-connectivity, cultural shifts, and an emerging 'transmodernism.'

First, market research finds that some consumers' tastes are evolving, so that conspicuous consumption and the value of luxury brands are more often questioned. A report from *Boston Consulting Group* found that because of the financial crisis, in the West, "luxury has lost much of its mystique" as people re-assess their behaviours and motivations. "The challenges posed by this conceptual shift will be more fundamental and lasting than the challenges

12 Widely attributed. Including on Jone Johnson Lewis's "Coco Chanel Quotes." About Women's History. URL: http://womenshistory.about.com/cs/quotes/qu_coco_chanel.htm . Date accessed: August 3rd 2012.

that arose from the crisis.”¹³ In non-Western markets, the tastes of luxury consumers have been reportedly 'maturing' quicker than it took in the West, with more consumers focusing on aspects of the product and company beyond the visible appearance of the brand (Bendell and Kleanthous, 2007). Companies that are focused on maximising revenues from their existing businesses may not be consider how these evolving tastes could undermine the idea of “luxury” that attracts consumers to their products. New companies with smaller volumes might more easily target their products, design, and brand to appeal to the emerging aspirations and tastes of these consumers.

Second, more consumers are becoming aware of some of the industrial background to mainstream luxury brands, with greater transparency about the way items are produced raising critical questions. For instance, *The Luxury Institute's* 2010 wealth survey found that 56% of US luxury consumers said that craftsmanship of luxury products is on the decline and 51% that product quality is waning.¹⁴

The social and environmental relations of production are also becoming more understood by luxury journalists and consumers. *The Financial Times* (2010) reported that this greater attention was sparked in by the report by the environmental group WWF about the ethical performance of mainstream luxury companies (Bendell and Kleanthous, 2007). Since then there have been regular exposes. For instance, an Associated Press investigative report in 2008 showed that gold being mined by African children using mercury was entering the supply chain of luxury brands.¹⁵ A 2010 study by market researcher *IFOP* showed that 47% of individuals in the top 25% income bracket across France, China, Japan and the Unites States were willing to pay more for responsibly produced goods. In China, the top 20% of income earners ranked social and ecological responsibility fourth among the nine factors that luxury consumers consider important when purchasing luxury goods, ranking it ahead of creativity.¹⁶

A *World Jewellery Confederation* report (Kendall, 2010) suggested that luxury consumers are seeking differentiation by engaging on a deeper level in their purchase decisions, so much so, that in some cases: “...the awareness of the provenance and production process of a luxury item has become as important to the consumer as the actual product itself. Buying no longer just demonstrates financial or stylistic independence. Knowing its foundation signifies a social conscience, a duty of care and a deeper knowledge of craftsmanship, skill and quality. In response, luxury companies providing greater and more transparent product information during the consumer journey, can elevate a buyer from simple acquirer to informed enquirer, an upward leap of status in our post-recession society.” This growing awareness poses a reputation risk to those companies that are not addressing their social and environmental impacts throughout their products' life-cycles. It also indicates that a market segment exists for brands that seek to excel on such issues. This is why sustainability was identified by luxury specialists as one of the main strategic challenges and opportunities for the industry (Bevolo et al, 2011; Giron, 2010; Kapferer and Bastien, 2009)

A third key trend making it a disruptive time for the luxury industry is 'hyper-connectivity': that being the growing pervasiveness, in place and time, of instant communication technologies (Wellman, 2001). The implications of this hyper-connectivity for luxury relate to both consumers and industry professionals. For consumers, we are witnessing the end of them acting as recipients of unidirectional marketing and advertising. This is best observed in the clothing and accessories sectors, where wearers of fashion can shape trends and even launch new brands. From things as simple as tweeting or liking a brand's *Facebook* page to more involved yet managed activities such as customising their own purchases from major brands or participating in online advertising campaigns, to more proactive engagement such as crowd funding new designs and new designers, or appearing in street fashion blogs like *The Sartorialist* or *Facehunter*, people can now participate in shaping what's hot and what's not. In this context successful brands may be these that people can enthuse about, tell their friends and seek to promote or even co-create with. The key driver of such enthusiasm is a connection with people's values (Waddington, 2012).

13 Robert Frank., 'The Five Species of luxury Consumer,' Wall Street Journal, 21 December 2010. <http://luxurysociety.com/news/12673>.

14 The Luxury Institute. 2010. 'State of the Luxury Industry'. <http://blog.luxuryinstitute.com/?p=756>

15 Callimachi & Klapper. 2008. 'Child Trafficking in Africa: Thousands of Children at Work'. Associated Press: http://hosted.ap.org/specials/interactives/_international/child_labor/

16 Presentation from IFOP. 'Luxe et Développement Durable Communauté de Pensée.' 7 May 2010. 1.618 Sustainable Luxury Fair.

Another aspect to this hyper-connectivity is that the stories that engage consumers to become fans, will need to be true stories, not fiction. In recent decades advertising has been almost entirely fictional. For instance, we are not told about how strong, soft and well cut a cloth is, but are shown an image of a beautiful person in a beautiful location. In a hyper-connected world, a truthful, meaningful and engaging story about a product and the people involved in its creation may be more likely to inspire the online public. Just as one's character is not defined by who you are, not whom you support, so cause-related marketing is not likely to convey a sufficient sense of brand character. This move to authenticity challenges companies that have ownership structures and production processes that in no way embody the brand image that they portray to the public. It also suggests that a market segment is open for companies that have a clear and meaningful identity that is integrated into all its operations and, even, how it is owned.

Hyper-connectivity also has implications for the professionals working in the industry. Online networks such as the *Luxury Society*, as well as *Linked-In* and *Facebook* groups, enable professionals to learn about their industry and connect with each other in ways that were not possible before. That reduces their reliance on their employer for their information flow and reduces the information barriers to entry for new organisations. In addition, it allows new connections to be made through the supply chain. These changes suggest that it will be easier for small firms and start-ups to organise their operations, access relevant information and contact relevant professionals. The benefit of being in a luxury group may still remain, but may not be as essential as before.

The fourth disruptive trend in luxury is geographical. The rise of China and other Asian countries as markets for luxury companies has been well chronicled, and is not a disruptive trend in itself, as it has allowed mass expansion of existing business models (Giron, 2010). However, the geographical shift of economic power from the West to the rest holds more disruptive potential over time. It is difficult to generalise about so many people, but opinion surveys do indicate a changing sense of self and of the world in non-Western countries (Pew Research Center, 2012). The difficulties being experienced by Western nations due to the mismanagement of their financial institutions and banking systems may also have a negative impact on Western reputation and therefore the allure of brands. People from across the global South are becoming increasingly aware and interested in the rest of the Non-Western world (Dosch and Jacob, 2010). In the 5 years since *Deeper Luxury* was published, I lived in or visited South Asia, East Asia, Latin America, and Africa and discovered collaborations between designers from different continents such as one between Brazil and India. I sense that there is a potential diversification of countries that will originate global luxury brands, with global names likely to emerge from Brazil, India, Argentina, Indonesia, China, and more. What the impacts will be on existing Western brands is unknown at this time. That French fashion house *Hermes* has launched a Chinese luxury brand focusing on Chinese ancient design reflects how some incumbent luxury companies are investing to benefit from these cultural shifts.

My hypothesis is that these four trends will relate to each other as parts of an increasingly shared understanding about life in the third millennium. This understanding is that there are multiple sources, across time and place, of ideas about "progress" and of the "good" in life, and so there is a value in a conscious mixing of such multiple ideas (old and new, East and West), to embody and enable more conscious living. This belief system shares with Modernism the idea that societies can and should progress, that greater knowledge is part of that progress, and that personal emancipation is part of such progress. However, it rejects assumptions of one form of linear progress or one positivist approach to knowledge. In that, this world-view shares with Postmodernism a more plural view of knowledge. However, it moves beyond critique, or the nihilism that can arise from a rejection of progress, or an over-reliance on irony in communication. Instead, it seeks a mixing of multiple ideas about progress and knowledge for a useful social purpose. This world-view is culturally embodied by purposeful mixes of old and new from around the world, such as the globally conscious music of *1 Giant Leap*, *Nitin Sawhney* and the *Thievery Corporation*, the latest art and writings of Michelangelo Pistoletto (2010) and the 2012 Olympic opening ceremony by Danny Boyle, amongst many other musicians, designers, authors and artists from around the world. One term for this worldview can be "Transmodernism."

Some sociologists have been developing the concept as a belief system (Transmodernism) or as a depiction of the emerging era of thought, design, art and fashion (Transmodernity). Rosa Maria Rodriguez (1989, in Ateljevic 2009) suggested that Modernity, Postmodernity and Transmodernity can be related as, respectively, thesis, antithesis and synthesis. Enrique Dussel draws on anti-imperialist traditions to articulate a view of Transmodernism, which is becoming popular in Latin American sociology (cited in Cole, 2007). Sociologists using the terms often emphasise how they describe both public and intellectual attitudes that embrace spirituality, diversity, ecology and interconnectedness. They suggest it is 'post secular' in the sense that it redefines a new relation between religions and political action in a way that re-enchants the world towards a new openness to spiritual guidance as a basis for private behaviour and public policy, while rejecting religious divisions and dogmas. Rediscovering the sacred as a dimension of our lives and societies is a recurring theme in Transmodern sociology, as well as the various cultural expressions that it describes (Ghisi, 1999; Ateljevic, 2009; Gelter, 2010).

I was living in India in 2010 when I was introduced to this terminology as something that described the attitudes, fashion, art and music that excited me the most.¹⁷ As an experiment in Transmodern fashion, I co-created an organic denim Sherwani, with Indian-Swiss designer Prema Florence Isaac. The result was pictured by *Magnum Photos* and appeared in *Marie Claire India* (Box 3).

Transmodernism is the fifth trend that I identify here, yet it might better be understood as a paradigm shift, that encapsulates the other four trends. It is potentially disruptive to the luxury industry, as it challenges currently mainstream views of what is success, and where style leadership comes from. The famous luxury brands of today often have origins in entrepreneurs or companies that embodied the spirit of their times. If Transmodernism is an emerging spirit of our times, for many countries and cultures, what would this mean for luxury entrepreneurship? In the five years since WWF published *Deeper Luxury*, I met many entrepreneurs, and witnessing their dedication and success has been the best 'research' as it opened my mind to a dynamic field. In the following section I will profile some of them, as cases that hold the potential for elegantly disrupting sectors and societies, for a positive social goal.

17 Thanks to Elizabeth Andrio for introducing me to these terms and the school of thought.

Box 3: The Organic Denim Sherwani

My exploration of a new purpose for “luxury” took me to the spiritual community of Auroville in southern India. I explored the relationship between beauty and divinity, matter and spirit, desire and contentment, to gain some insight for my future work in this field. In Auroville I met fashion designer Prema Florence, and sustainable textile entrepreneur Rubina Ansari. When I saw the organic hand woven and natural plant-dyed denims that Rubina makes, and the Indo-french fashion that Prema designs, I had an idea for a new piece of clothing. An organic denim Indian-style coat. The Sherwani is a formal style of coat that became popular in India during the British Empire as a hybrid of the Indian kurta and the British overcoat, and is now worn during formal occasions. An organic denim one would be a playful way of making a Sherwani, and this was definitely play.

I looked up some history on denim, and found, surprisingly, that the original blue denim was from India, from the sailors called Dhunga, who wore 'dungarees'. They passed it on to sailors from Genoa, where the name 'jeans' comes from, who then passed it on to the people in Nimes, hence the name 'denim' or 'de Nimes.' Neither Genoa or Nimes had the cotton or indigo plants – they were from India.¹⁸ Most people think of denim as American. Although the contemporary feel of denim as youthful and casual is due to the popularity of Hollywood films from the 1950s, denim is actually the result of an exchange of ideas across the globe, with origins in India. When we see denim spreading around India today, as it spreads around the world, it does not have to imply the spread of a Modernist monoculture. Instead, we can see it as another stage in the sharing and re-sharing of ideas.

A denim Sherwani combines and challenges the formal and casual, the British and the Indian, the Hollywood and the Bollywood. Because it uses organic cotton, where the cotton grows in fields with many other plants, not in a chemical induced monoculture, the material itself embodies the passion for diversity that inspired its creation. Because it uses natural plant dyes, it encourages the conservation of those plants and does not pollute water courses. Because it was made on a hand-loom, it supports dignified and almost zero-carbon village employment, and maintains a traditional craft. In creating the piece, I was playfully rebelling against cultural imperialism, remembering that the world's cultures have been communing for millennia, and that if we approach such interactions today with open hearts and minds, we can co-create new ideas and new things, new meanings and understandings. In this sense, the sustainable denim Sherwani is a piece of Transmodern fashion: its beauty is the embodied intention, a conscious and playful mix. It seemed natural to my co-creators. “My work is my karma yoga. Everything I do must be fruitful for others” Rubina Ansari told me.

I wore the Sherwani when photographed by Paulo Pellegrin for the Magnum Photos yearbook as a leader in eco-fashion, and appeared in it in the fashion magazine Marie Claire in India (Image 2).¹⁹



Image 2: In Marie Claire, Photo by Paulo Pellegrin, in London

18 Chidanand Rajghatta (2009) History of Jeans 'Modi'fied : Denim Denim ka Bandhan, Times of India, December 12, http://articles.timesofindia.indiatimes.com/2009-12-12/india/28060172_1_fabric-levi-strauss-bavarian-immigrant

19 Indian Denim Reclaimed, Marie Claire, India Edition, December 2010. pg194 <http://www.jembendell.files.wordpress.com/2010/11/eco.pdf>

The Elegant Disrupters

People who care about social and environmental problems in a deep way can be motivated to break norms in order to address those problems. Why care in a way that would lead you to challenge norms? If we sense the urgency and tragedy of these problems, perhaps. Please take a moment to think of what you were doing this time yesterday.... Have you?

Since then, over 80,000 acres of tropical rainforest have been lost. In the last 24 hours over a million tonnes of toxic waste have been released into our environment. In that time, 98,000 people on our planet died of starvation, tens of thousands of them children. In just a day, 137 species have been driven into extinction. Perhaps it is no wonder then that an estimated 2 million people around the world took a day off work today due to stress or depression (Bendell, 2011).

Faced with this knowledge, some people decide to spend their working lives seeking a significant impact for the better. Some of those people are entrepreneurs and seek to create business which addresses a social or environmental problem. That does not mean entrepreneurs who seek to make a profit while being responsible, but where the entrepreneurs actively seek to solve a particular problem, and needs to run a successful business in order to do so. The term "social entrepreneur" has become popular for describing such people (Elkington and Hartigan, 2008). If you are start up entrepreneur, then the luxury sector is a natural one to consider, given that the margins allow for smaller turnovers. Perhaps it is not surprising then that over the 5 years since the launch of the *Deeper Luxury* report I met many social entrepreneurs in the luxury sector, who are dissatisfied with the state of the world and the state of luxury. In this section I will describe a few of these people and their enterprises.

The first example is Canadian designer Kresse Wessling and the company she created with her partner, called *Elvis and Kresse*. I first met Kresse in Hyde Park in London, after we had been connected by a mutual friend. I had heard about her before from John Elkington, and so when Kresse said that she had decided to go into luxury after reading the *Deeper Luxury* report, I was ready to have my eyes opened to how an entrepreneur can mobilise the ideas we were sharing.

Picture a landfill, with a truck dumping stuff and birds swirling over head. What do you see? Kresse Wessling sees opportunity. She sees the chance to reclaim huge amounts of industrial waste and recycle them into new consumer products with a higher value (now termed "upcycling"), thereby reducing the wastefulness of our society, and our need to gobble up more natural resources. She started with de-commissioned British fire brigade hoses that (after a distinguished career fighting fires and saving lives) were destined for landfill. She uses them as material for designer belts, bags and cuff links. 50% of profits from the fire-hose line are donated to the Fire Fighters Charity.

Kresse was not motivated by the idea of producing "luxury" branded items or high fashion. "I'm a tomboy. The first bag I ever owned was the first tote bag I made out of firehose." The complete opposite of the image of an effete fashion designer, Kresse's real passion is waste: "My life has been a journey into waste. It's an addiction. Some are in to drugs, I'm into trash." So she wanted to do something creative with the waste fire hose, after she had heard from a firefighter at an environmental management course how much firehose was sent to landfill after use. With her partner Elvis, they discussed what they could make out of the firehose. There were a number of options, such as roofing tiles, but the volumes were right for the leather goods market. After reading the *Deeper Luxury* report, Kresse thought "those luxury brands aren't getting higher than C+. We'll take that industry on, get an A+, prove it can be done." Thus they decided to go into high-end accessories, and began their search for the best factories to make the best designed and manufactured bags that they could.

Although they embrace the need for media on what they are doing, they do not play by the typical luxury fashion rules. In the June 2009 issue of *Vogue*, leading photographer Mario Testino shows Cameron Diaz wearing one of her *Elvis and Kresse* fire-hose belts. "Initially when we got the request from *Vogue* we thought it was a scam from them to get a free belt; I'm glad we went for it." The company has not spent money on advertising, apart from

its website, and has relied on the power of the story of the company. "The first tote bag I carried around and showed to people got 200 people to commit to buy it at a discount. Later on I then gave speeches at awards and some people love the story so much they bought the bags for friends to give them and tell them about what we do... Our marketing until now has been about finding people on the same wavelength. I was actually at a conference on an organic farm and I went out to a grassy knoll to get reception. There was a guy from *Apple*. When in view of him, I opened up my phone with our prototype *Apple* i-phone case. He asked 'do we sell these?' I said 'you will'."

At a time of sales stagnation for many luxury brands, the *Elvis and Kresse* company has been booming. A small start up, with no starting capital at all, using free materials and their own effort, funding their growth simply by sales revenue, *Elvis and Kresse* is now an award winning business. "In our first year we had a turnover of about 15,000



Image 3: Kresse Wesling teaching at IE, in Madrid

pounds Sterling, as we were focused on R&D." Just 2 years later they had an annual turn over of 250,000 pounds. Kresse was a guest lecturer on the sustainable luxury course I teach at *IE Business School* in Madrid (Image 3). My MBA students wondered whether this business could scale. "I do not think that growth will slow" Kresse told them. Why? "99 million tonnes of waste goes to landfill in the UK each year. We are specialists at upcycling, building value into waste. We know where the waste is, what works, which cleaning and manufacturing processes to match with which materials and we are highly motivated." The company now 'upcycles' 10 different wastes, and has 10 charity partners for each waste that benefit from the business profits. Crowning their success in disrupting the notion of what materials can be luxurious, and what stories about a brand can be luxurious, in 2012 the British luxury association *Walpole* awarded them the title "Brand of Tomorrow."²⁰

Elvis and Kresse are on a mission, where the success of the brand can create a cultural shift. "Sustainability invites us to learn from nature, where nothing is a waste. We should have a zero waste society – where we do not waste anything, not energy, not talent, not textiles, not ideas, not leftovers, not opportunities," Kresse told me during our consumption-free walk through Hyde Park. "Waste is a commodity that's lost its value. I look for story-laden wastes that I fall in love with. What I'm fascinated about is how we can take something from a skip and it ends up in *Harrods* with security tags." How fire-hose went from waste to waist, was through Kresse's passion for our planet. It is that passion which fires the alchemy of turning waste into something that not only has new value, but also inspires us.

Upcycling waste into high end fashion is not something limited to the West. In 2010 I visited Buenos Aires to launch the world's first sustainable luxury awards. There I met Alejandra Gougy, the founder of *Cosecha*²¹, who makes vintage-inspired knitwear from disposed ladies tights. During the economic crisis in Argentina, when cash flow for small enterprises was near impossible, an artist friend suggested she use the material as an experiment, and she liked its potential (Image 4). Then in 2008 a training organised by the Buenos Aires government opened her mind to environmental problems and she realised the ecological potential of her work, and specialised as an eco conscious luxury brand in 2009. Her business is growing, and gained the support of the famous Argentine singer Elena Rogers, who is fronting a campaign to get people recycling and upcycling their clothes (Image 4).



Image 4: With Alejandra Gougy at Cosecha, in Buenos Aires

My exposure to these upcyclers meant I was not surprised when I met Reese Fernandez at the *World Economic Forum* in Bangkok in 2012. In 2007 Reese was one of a group of young professionals living in Manila who were seeking to contribute to social development there. They visited a huge dump, about the size of 40 football fields, with over a million people living next to it in a slum. They found the women mostly stayed at home and scavenged cloth from the dump to make small rugs. "There were about 15 middle men, who were not providing any

20 <http://www.thewalpole.co.uk/brands-of-tomorrow-2012>
21 <http://www.cosechavintage.com.ar>

support or value creation, so the women were earning about 8 US cents a day," she told me in the hotel lobby during the Summit. Reese felt an empathy for the situation of the women. She explained that through her mother's church work, she had been sensitised to the situation of others, and as a child had been friends with the local street children. With her friends she decided to launch a business to help the women living in that slum, starting with a few women who made rugs. Four years later their *Rags2Riches* brand is thriving, supplying top home furnishing stores, and providing livelihoods for 548 women and 2 men.

Key to their success was deciding to go up market. "My husband Mark was inspired by the fashion brand *Edun*, who said they were creating livelihoods for poor people in Africa. So he approached a top designer in the Philippines. Rahul came up with new concepts, like wine holders and vanity kits, as well as creating new ideas for the rugs. It is amazing how a designer's eye can contribute so much to something as simple as a rug." The company could not do any market research. "We are our own target market. We like quality and amazing design. We know consumers can not be convinced by marketing something only as charity." The greatest challenge and investment was to help the women improve production to meet the needs of the new target market. "It is hard to instil a culture of quality, and that's a key value we bring to the process." As with *Elvis and Kresse*, the company did not need funding. "We put in 200 dollars starting cash, and a year of volunteering time, while we continued other jobs. Later on 8 colleagues funded it, and then we attracted an investment from *LGT Venture Philanthropy*."

Where next for *Rags2Riches*? "I think we can scale [up our operations]. Our short term goal in the next 3 to 5 years is to work with 3,500 artisans." How will the company address issues of equity as your business grows and profits boom, while working with women in slums? "Our priority is fair wages to community members. And we won't move on that. The margins we add to the products can fit what the market expects on price. So what is key is where the profits will go. At present they are reinvested in the business. All the artisans go through to the artisan academy for free. The artisans are able to join their own cooperative, and that cooperative owns part of our business, and an artisan sits on the board. This means there will be some profit sharing and full transparency."

I was intrigued whether Reese thought she might be disrupting people's understanding of luxury. "I do not think something is stylish purely because of appearances alone. Style is more than just beauty or how you carry yourself. It's what you believe in, it's what you purchase that reflects what you believe in. We think luxury is about hands and stories. Secret stories about products that only you know. I'm seeking to create change through changing what we think is a desirable product." It is this vision that shapes Reese's ambition: "I'd like to be a viable competitor to brands like *Louis Vuitton*." Why are incumbent luxury firms not doing the same? "I think the greatest barrier is simply the luxury professionals, and most luxury media and consumers today, not realising that poor people can make beautiful things."

More examples of upcycling waste into high fashion are reaching international media. Ethiopia's Bethlehem Tilahun Alemu was featured on *BBC* for her company *SoleRebels*, and their colourful shoes made of recycled materials, including car tyres, that now sells in 55 countries.²² Another entrepreneur designer featured by the *BBC* was Mumbai-based Shilpa Chavan, who "transforms tat into high fashion." They note "She has furnished some of the world's most style-conscious heads..." and that "Lady Gaga is a customer." The designer was featured as part of the *BBC*'s series "Collaboration Culture" which paired up 14 creative people from around the world to work together.²³ That meaningful fashion, playfully challenging norms and addressing social or environmental problems, emerged in the collaborations reflects the Transmodern tendencies described earlier.

All these aforementioned examples demonstrate that innovation can arise from apparent scarcity as much as abundance. It was a lesson I discovered during my visit to Trivero in northern Italy for the centenary of the company *Ermengildo Zegna*. The granddaughter of the founder, Anna Zegna, showed me around the family museum, and I learned about how they started their business (Image 5). For washing cloth and driving machines they had a great water source running off the Alps, but not much else from which to make quality fabrics. They did not have good

22 <http://www.bbc.co.uk/news/world-africa-18998898>
23 <http://www.bbc.co.uk/news/magazine-18430735>

machines, nor great cloth weaves and patterns, or high quality local raw materials. So they bought the best machines from the north of England, the best weaves and patterns from Paris, and sought out the best wool from Australia and South America. To this mixture, they added their attention to style and produced for markets that desire lighter cloths and cuts than coming from the UK, and succeeded in becoming a high end fabric company and then global luxury fashion brand with about a billion turnover a year. As the Italian writer and statesman, Niccolo Machiavelli wrote, “entrepreneurs are simply those who understand that there is little difference between obstacle and opportunity and are able to turn both to their advantage.”²⁴

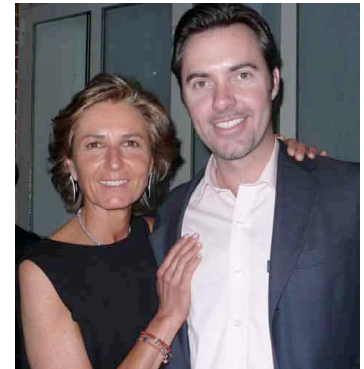


Image 5: With Anna Zegna at the Zegna Centenary, in Milan

Around the time *Zegna* was founded, my family were industrialists in the woollen mills business in Yorkshire; a business that eventually failed as they lost market share and did not innovate to produce better cloths, weaves and cuts. The reason that Anna was showing me around her place and not vice versa? Her grandfather's elegant disruption, 100 years ago. I had the pleasure of re-telling this story to other fabric and fashion companies in the Piedmont region of Italy, at the *Cittadelarte* centre in Biella. My message: do not go the way of my great grandfather's business, and that social and environmental excellence could be their innovation to maintain their market share. The contemporary artist Michealangelo Pistoletto has been encouraging this thinking in the region, as part of his effort for art and design to play an active role in responsible social transformation. His view of a new era of called the *Third Paradise* (Pistoletto, 2010) emerging out of the pre-modern and modern, and his annual convening of young artists from around the world to collaborate on socially responsible art, are further embodiments of the Transmodern worldview I mentioned earlier (Image 6).



Image 6: With Michealangelo Pistoletto, in Biella

The earlier examples of turning waste into luxury goods can provoke us to question our existing stories of value. As I described with diamond marketing, corporations and traditions shape what we assume to have value. When reflecting on whether a bag made of reclaimed fire hose can really be beautiful, we can stop and ask “why is it that we consider a dead animal-hide beautiful?” Certain designers, like Stella McCartney, do not consider it beautiful, and as a vegetarian refuses to use it in her fashion house. But could animal hides, wools and furs be considered beautiful again if used by entrepreneurs seeking to create social well-being, environmental restoration, and minimum harm?

A social entrepreneur who is inspired by this idea is Marie So, the Chinese co-founder of *Shokay*. After she graduated from *Harvard University*, she wanted to use her new skills for social good. Her presentation at a Corporate Social Responsibility (CSR) conference in Kuala Lumpur in 2010 was like an oasis of hope in a landscape of people thinking that a CSR report the main objective. She explained how the company “aims to impact the lives of Tibetan herders in China oppressed by poverty. By introducing luxury Yak down to the global market, we hope to create a market for Yak fibre, thus increasing the value of the raw fibre to provide herders with long-term employment and a greater sustainable income.” The fibres are hand-combed from the Yaks that dwell there, who serve as a life source for the Tibetan herders. From this down comes a soft and beautiful fabric. They source their yak fibre directly from Tibetan herders, enabling them to earn a living while preserving their traditional lifestyle. She told the workshop audience that the business is doing well, with a partnership agreed with luxury brand *Shanghai Tang*. The company's development impact is four-fold: direct income generation, preserving the local culture, promoting sustainable use of the environment, and community development. “We currently work with 2600 people, providing a sustainable source of employment and income to these herders. By setting up fibre cooperatives in each sub-village, it is our goal to help grow each eco-system to provide a safe and transparent vehicle for addressing local

24 A widely cited quote, but no original source found. See http://thinkexist.com/quotation/entrepreneurs_are_simply_those_who_understand/217083.html

development.” The power of her positive story was evident, as a member of a luxury industry family came forward afterwards to get her card and follow up on how to offer *Shokay* products in their stores across Asia (Image 7).

The effort of entrepreneurs like Marie So may impact on the views of luxury consumers, encouraging them to become away of the source of our natural fibres, and how we can contribute, or not, to conservation and rural livelihoods by what we buy. In this way, these entrepreneurs offer the potential to reconnect purchasers to the full social and environmental relations of production, to appreciate how our 'things' come from our environment.

There is not space in this paper to profile examples of elegant disruption from across all luxury sectors, so I will conclude this discussion of start up brands with a mention of one remarkable social entrepreneur in the jewellery sector. Greg Valerio describes himself as an activist and jeweller. He runs *CRED Jewellery* and won the *Observer* newspaper's ethical award in 2011 for bringing the first *Fairtrade and Fairmined* gold to market. That is gold that makes a positive difference to poor communities, and where consumers know the end product comes from a specific mine, what the standards are, and that they have been independently verified. It is a model of *Fairtrade* certification that has grown in other areas, including cotton, tea, coffee and fruit. To not only demonstrate that it is possible, but also develop a system for other companies to adopt and provide credible guarantees to consumers that the jewellery they buy improves the lives of miners and their communities is a disruptive social innovation, because it enables many more to follow. We connected through my colleague at *Lifeworth Consulting* when conducting research on responsible jewellery for the *Uplifting The Earth* report (Doyle and Bendell, 2011). Our enthusiasm for what he is doing led us to co-publish that report with the NGO he co-founded, *Fair Jewelry Action* (FJA).



Image 7: With Marie So of *Shokay*, in Kuala Lumpur

The *FJA* acts an aggregator of information, to help catalyse change in the industry. Organisations and enterprises that help elegant disrupters to connect with each other, with suppliers, with media and consumers will be increasingly important to scaling sustainable luxury brands, and accelerating the disruption of the industry. In the last five years I have come across a number of such initiatives. The first one was *Redress*, a Hong Kong based NGO with a mission to promote environmental sustainability in Asia's fashion industry by reducing textile waste, pollution, water and energy consumption.²⁵ I first heard from its founder Christina Dean in 2008 when she invited me to come and speak at the launch of a their fashion show in Hong Kong. I had not walked a cat walk before, so I agreed. I was impressed by their ability to convene the luxury profession, so put them in touch with colleagues at the *United Nations* and in 2010 they produced the first full fashion show at the *UN*, in Geneva. Models walked a cat walk inside the *UN*, showcasing designers from around the world, using sustainably produced natural fibres: a real Transmodern moment. The fashion show and its associated conference was the start of a collaboration with the fashion industry that has since grown, under the guidance of Eduardo Escobedo, into a significant multi-enterprise initiative to generate revenues for conversation and sustainable livelihoods through the supply chains of luxury brands.

One of the models that day was Summer Rayne Oakes. She is co-founder of *Source4Style*, a New York based business-to-business online marketplace connecting designers and apparel brands to leading sustainable material suppliers around the world. Summer told me that she started this business to catalyse change in the industry. “The general concept came after my book tour in 2009, as people said they had a problem sourcing sustainable materials. I realised then that communicating about the need and potential is not enough, as there was no infrastructure to support the designers that wanted to act. Despite initial enthusiasm, designers have a trial by fire when trying to source responsibly, when they find how difficult it is. We set up a micro operation in summer of 2009 to see how we could help.”²⁶ She believes that a new connector can help transform the availability of sustainable high end fashion. “Designers spend about 85% of their time on sourcing. There's often a lack of understanding about what's out there and ways to incorporate it. They want the quick answers not to spend ages on it. They want to know how to do it right. On the other side, suppliers are spending 43% of their marketing budget on trade fairs. They never make that

25 <http://redress.com.hk>

26 All quotes in this section are from a personal communication with Summer Rayne Oakes, April 2nd, 201

up in sales. So we are crowd sourcing a community to open up the community of suppliers to designers. We think there is now a bigger interest so potentially a bigger market.”

The aim is to enable more independent designers to disrupt the high fashion world, with sustainable materials. She believes “independent designers have a big impact on the mainstream fashion sector. The independents can be edgier and inspire. Independent designers put up ideas which other more commercialised groups then want to take up. It's unfortunate for the designers that they can't scale up, and so the bigger companies, the copiers, take it forward.” She and her business partners take a systems view of creating this disruption, by looking at how to help others to lead the change. “By reducing independent designers sourcing time they can then do their other stuff and thus can achieve more, have more impact, more scalability.”

Business-to-business platforms may play an important role in helping start ups to scale their business, and are thus key to processes of elegant disruption. I launched the *Authentic Luxury Network* in 2007 with the aim of helping sustainable luxury entrepreneurs to connect and share what they are doing.²⁷ In 2011 we teamed up with the new *Centre for Studies in Sustainable Luxury*, in Argentina, to launch the world's first sustainable luxury awards (Image 8). The aim was to reward good practice wherever we found it, but in the end the award winners were all small enterprises. The winner of the 'Best Sustainable Luxury Performance' in the fashion and accessories category was *Pachacuti*. The British-based company works with indigenous communities in Ecuador to produce fairly traded high-end panama hats. The Paris-based *Ainy* won the award for beauty company. It works with Latin American producers to sustainably harvest key ingredients. Argentine company *Perma Hue* won the award in the tourism sector. An eco-resort in Patagonia, *Perma Hue* seeks to promote the well-being of their visitors through re-connecting with nature. In the jewellery sector, a special mention was given to *Oro Verde*, not as a company, but as a community cooperative, pioneering the production of ethical gold. They work with Afro-Colombian communities to support small-scale alluvial mining operations in the Choco region of Colombia. *Oro Verde* have pioneered an environmentally sustainable, socially responsible form of artisanal mining that seeks to preserve the unique and vital virgin rainforest ecosystems while providing a fair, regular source of income to miners, their families and their communities.²⁸



Image 8: With Miguel Angel Gardetti at the world's first sustainable luxury awards, in Buenos Aires

Awards are one way of communicating to consumers about brands. Portals have greater potential for helping sustainable luxury companies to reach consumers. *PositiveLuxury.com* is one portal that is seeking to make responsible luxury choices easier for a large range of consumers. A fellow Young Global Leader of the *World Economic Forum*, I first met Positive Luxury's founder Diana Verde Nieto when she managed the communications for the *Deeper Luxury* report. Her enthusiasm for the subject helped the report appear in about fifty newspapers worldwide in the days after its launch. Another portal launched in 2012 is *Nueluxe.com*, which focuses on really high-end luxury products and services, and the specific social or environmental benefit they deliver. It is developing a club-like network of high net wealth individuals who are interested in sustainability. Its founder Nina Rennie told me “There are so many people around the world creating exquisite things and experiences that are all about social and environmental benefit. By profiling them we will make old luxury seem pedestrian.”²⁹ That sounds like an “elegant disruption” philosophy.

The entrepreneurs I have profiled here are all breaking norms to grow their businesses. To break norms one needs a perception of reality that is different from the norm. Kresse Wesling, in particular, shows us how a shift in perception identifies new opportunities: she saw waste as a potential resource. Her different perception was able to identify a “blue ocean” of a new untapped resource and an untapped market, rather than the bloodied oceans of competition over existing suppliers and market shares. Management strategists have found that managers

27 [Http://www.authenticluxury.net](http://www.authenticluxury.net)

28 See <http://www.lujosustentable.org/> for more information

29 Personal communication with Nina Rennie, May 2012

perceptions limit them to contesting existing markets, or red oceans, rather than branching out into new areas; another aspect of the processes that lead to innovations being disruptive to incumbents (Kim and Mauborgne, 2005). One factor encouraging perceptions is a dissatisfaction with the current norms. People concerned about social problems and sustainability are dissatisfied with the status quo; they are open to new ideas that can disrupt the normal way of doing business.

Personal set backs, and troubling times can also lead to a shift in perception. Alejandra Gougy told me that she decided to take up knitting again, and to be experimental, because the normal rush and certainty of life was destabilised by the Argentinian economic crisis ten years ago. Perseverance also appears to be key, as all of the entrepreneurs mentioned above have had to cope with difficult circumstances, work load, lack of funds and the personal stresses that this creates. The first entrepreneur I met after the launch of *Deeper Luxury* was the Canadian designer Timothy Han, living in London. He was running a small company producing organic luxury products, including candles and body. He did not believe in making short cuts on issues like finding recycled bottle caps. He spent years seeking to raise capital to scale his business, during a difficult time in the UK economy. Only now, almost 5 years after I first met him, is he able to launch a full range of organic skincare. At one point when things were not progressing so well as they are now, I asked him whether he would do something else? "Nothing else really interests me. This has got to happen."

How Luxury Incumbents Respond

In this paper I have focused on small companies. Existing research on sustainability-improving innovations (which tend to require some level of technological 'radicalness') have found that they are carried out by smaller firms, reflecting the theoretically and empirically well-established negative association between firm size and the level of technological 'radicalness' of an innovation (Schumpeter 1934; Markides and Geroski 2005; Harms et al. 2010). It would not be unusual, therefore, to find that the large luxury groups (which own many brands), are not leading on this agenda. Since 2007, I have not conducted a follow-up review of the 10 largest luxury groups that we analysed, to see how they may have progressed. However, the feedback I have received from various people in some of those companies suggests that progress is slow. Reactions of some in the industry to the follow up report on the ethical performance of high jewellery (Doyle and Bendell, 2011), also gave me some indication of what might be holding back progress on this agenda by large firms. It could be that incumbent firms in the luxury sector have attributes additional to other sectors that make it prone to creative destruction. These attributes are pride, cynicism, and an attachment to old stories of value. I will briefly describe each in turn.

The first luxury business conference I attended was organised by *The Financial Times*, in Venice in 2007. At the black-tie dinner I was surprised to see our musical accompaniment for the evening, a harpist, playing from inside a giant plastic bubble. I wondered whether it was an apt metaphor for the lives of the people I was meeting. Over the years I have met people in large luxury groups who appear to be passionate about living meaningful lives, but they have repeatedly given me an impression of the culture of their colleagues and organisation as proud. It is not something that is well represented in literature on the industry, perhaps because most analysts want to maintain access to the companies, yet the especially high self-regard found amongst many luxury professionals was alluded to at times in the popular books by industry insiders Maria Eugenia Giron (2010) and Dana Thomas (2007).

A recurring anecdote from middle managers in luxury brands I meet that are interested in sustainability and have direct contact with senior managers and directors is that top luxury managers are not dissatisfied with norms, because they have always had a good life. I'm told that such leaders see people who are passionate and angry about society and economy as in some way psychologically afflicted. These top managers' sense of trends is from advertising agencies and cautious underlings. They are skilled in the 'massification' of luxury – a corporate endeavour, not a creative one. So they are not the best equipped to innovate or to support meaningful innovation, or to spot it.

Luxury brand management has been about appearances: your brand and your leaders need to be seen alongside the “right” brands and people. Anything that damages one's status as a luxury brand, such as criticism, is therefore extremely damaging. Two managers at luxury companies have told me that they would not have a job in corporate responsibility if it was not for *WWF's Deeper Luxury* report, but every time it comes up in conversation in the company, there is a collective intake of breath, a sense of insult. This does not suggest a dynamic culture, open to feedback.

If leadership on sustainability is not coming from the top of large luxury groups, where would it come from? The research on “disruptive innovation” from other industries, finds that middle managers are driven and rewarded for focusing on existing markets and thus new embellishments of the status quo, which means they are not encouraged to develop entirely new approaches to the business, such as required by sustainability (Christensen, 1997). In luxury, my conversations with middle managers over the last five years suggests another factor: cynicism. Nearly all such managers have expressed the view that their consumers do not care about social or environmental issues. That view is challenged by the recent market research data. In addition, it rehearses the rhetoric that brands must follow, and not lead consumer tastes. It also misunderstands the dynamics of the business case for above compliance social and environmental performance (Bendell and Kleanthous, 2007). However, it is a recurring theme from luxury managers, which reflects their sense of alienation from their work, and perhaps their search for narratives to explain inaction.

These conversations with many luxury managers, which I do not list here due to anonymity, has led me to identify two broad approaches with the emerging 'sustainable luxury' field: to protect and enhance the status quo or to challenge and change the status quo. This became evident in the research we did on the ethical performance of high jewellery brands (Doyle and Bendell, 2011). The ten brands we benchmarked were not taking leadership on social responsibility issues. There was little to no focus on how jewellery could promote actively social development. When asked about responsible sourcing, many staff members gave a statement including “we support the *Kimberley Process*”. That process only relates to diamonds, not other precious stones or metals. In any case, the law in most countries requires brands to procure their diamonds from countries participating in the *Kimberley Process*, so by stating ‘we support the *Kimberley Process*,’ brands were in effect stating that they obey the law. Yet the *Kimberley Process* guarantees little; simply that government officials of exporting nations believe that a diamond is not coming from a rebel army, or illegal source, or are willing to say as much. Weak internal controls by governments in Angola, Sierra Leone and the Democratic Republic of Congo (DRC) in particular are raising concerns. A *Kimberley Process* certificate says nothing about the conditions at the mine. This was brought into sharp relief by problems in Zimbabwe in 2008, when more than 200 people were killed, according to a *Human Rights Watch* report, when Zimbabwean security forces took over the diamond concessions at Marange. Martin Rapaport, head of the influential *Rapaport Group* says that “a *Kimberley Process* certificate does not ensure a diamond is free of human rights violations or other serious ethical problems.”

In recent years many brands have joined the *Responsible Jewellery Council*, which have developed a certification system. The system does not require traceability to mine, and is not about the benefits that are ensured for workers or communities at the base of the supply chain. It is driven by an interest in providing a reassurance that extreme abuses are not taking place, rather than what positive impacts being made. This is different from the various elegant disrupters I have profiled above, including jeweller Greg Valerio.

Taking a positive not defensive approach to sustainability could be the commercially clever approach, given the changes in consumer attitudes, and way that marketing via social media relies on the online public becoming enthusiastic about something meaningful and truthful in a company. Defensive approaches to social responsibility do not create good stories, and therefore do not create value for the brand. An uninspiring narrative is even less useful in a sector of gifts and highly discretionary purchases. The current value of luxury brands is all about the story-telling they do around heritage, status, or around how a diamond is a valuable marker of a special occasion. Could luxury managers have begun to believe their own stories to the extent they consider them a reality? Could their pride have become hubris, and reduced their ability to be critical about which stories of value are not robust given the challenges

we face in the world today, and the trends I described above? Or could luxury incumbents switch their focus from protecting existing stories of value, to envision and living by more meaningful and useful stories of value?

In the 5 years since *Deeper Luxury* came out I only had one meeting with a serving Chief Executive Officer of a large international luxury firm. After spending an hour discussing various aspects of the corporate responsibility agenda and what his company could do, he identified how small actions would not make a big difference, would cost a lot for a small return, and could lead to challenging questions from within the company and the media. This man was committed to the topic, and quite knowledgeable, yet the paradigm for decision making was one of managing reputation, maintaining existing stories of value, meeting existing metrics, and not acting out of a sense of urgency.³⁰ This typifies the culture of incumbents, as described in the research (Christensen, 1997), and shows why elegant disruption is possible, and, indeed, necessary.

Yet it is not a barren wasteland of incumbency. Already I have mentioned interesting partnerships between luxury companies and elegant disrupters. The technology firm *Apple* is now widely recognised as a mass luxury brand, and it has worked with *Elvis and Kresse*, selling their holders through its website. *Shanghai Tang* is part of the huge *Richemont Group*, and worked with *Shokay*. Within the same group, *Cartier* has been working with an Italian gold mining company *Goldlake*, operating in Honduras through their subsidiary *Eurocantera*. *Goldlake's* undertaking is to "mine only in places where we can be confident that we can have a positive impact on the environment and the local economy."³¹ It aims to achieve: zero waste from its mine and processing facilities, 100% mitigation of ecosystems and natural habitats, and the use of zero-pollution technologies.³² In order to implement these goals, *Goldlake* combines a modern alluvial gold mine (meaning that the gold is found in water, close to the surface, requiring no blasting into rock) with small-scale miners who use traditional methods of panning gold.³³ By mining 30 percent of its gold³⁴ through small-scale partnerships with local alluvial miners,³⁵ which access the same benefits as *Goldlake's* other employees, including access to *Goldlake's* health clinic, it is hoped that the economic development of the area will increase.³⁶ *Cartier* committed itself to *Goldlake* for a minimum of three years, paying for its entire production in the first year, and at least the same amount in the next two. This represents a minimum US\$10 million investment by *Cartier*.³⁷ Bernard Fornas, CEO of *Cartier International*, commented that "*Goldlake's* integrated model is unique in that it combines innovative technology to address serious environmental issues associated with mining, and a relationship with the community that goes much further than charity: it is a powerful and viable business model that benefits both parties."³⁸

The largest amount of noise on sustainability from a large luxury group has come from the Paris based *PPR*, which owns the *Gucci Group*. After the *Deeper Luxury* report came out they announced they would invest more in their efforts to become sustainable. The firm spent 10 million Euros on the environmental film *Home*, and then announced a similar annual investment in its sustainability department, of the same name. In March 2011 it explained its emphasis on innovating more sustainable products and services: "*PPR HOME* moves beyond the conventional CSR approach and promotes a new business paradigm whereby the attainment of sustainability is driving creativity and innovation, and vice versa, to build businesses that deliver financial, social and environmental returns for the long run." In addition, *PPR* expressed an understanding that sustainability is a group-wide issue where the group could provide a useful catalyst of change for the individual brands. "The *PPR Group* is uniting its brands under *PPR HOME* to work together towards *PPR HOME's* vision of a better world that is more sustainable – economically, socially and

30 I will not state the place or date, to ensure anonymity.

31 Goldlake 'Company Overview' Available from: http://www.goldlake.co.uk/Company/Company_Overview.aspx

32 Goldlake 'Eurocantera' Available from: <http://www.goldlake.co.uk/Index.aspx?idmenu=2998#>

33 Gunther, Marc 2009, "Cartier goes for the gold", November 8th, <http://www.marcgunther.com/tag/eurocantera/>; Cleangold 2008 "Press" <http://www.cleangold.com/cleangold/press.html>

34 Goldlake "Profile" 2010. Available from http://pactworld.org/galleries/default-file/CCE_Goldlake_Profile.pdf

35 Goldlake 'Company Overview' Available from: http://www.goldlake.co.uk/Company/Company_Overview.aspx

36 No dirty gold 2010, "Tarnished gold: assessing the jewellery industry's progress on ethical sourcing of metals". March, Available from <http://www.nodirtygold.org/pubs/TarnishedGoldFinal2010MAR.pdf> p 14.

37 Copping, Nicola, 2009, "Political correctness: Cartier provides a new gold standard" *Financial Times*, 14th September. Available from: <http://www.business-humanrights.org/Categories/Businessorgs/Sectoralbusinessorgs/CouncilforResponsibleJewelleryPractices> (Accessed 27 June 2010).

38 Cartier 2009, "Corporate Social Responsibility" September, Available from: http://pactworld.org/galleries/default-file/CCE_Cartier_Announcement.pdf

ecologically – than the world we know and live in today. It is an opportunity to reconsider products and services and a means to challenge the present way of doing things.”³⁹ The success of *PPR* in creating significant change will be important to compare to the innovations coming from the elegant disrupters I have profiled in this paper. Could elegant disruption be catalysed within a large group? It is a question that I will return to below.

The single most interesting case of sustainability leadership from a large luxury company that I found in the last 5 years was from *Ermengildo Zegna*. In a programme I helped produce for *CNBC* we featured how this Italian luxury company worked with another, *Loro Piana*, to support rural communities in Peru to successfully restock the wild with Vicuna (an endangered species) and generate incomes so that they can remain living in rural areas.⁴⁰ The openness of the *Zegna* management to do such an initiative, without a structured corporate responsibility strategy or policy, reflects on how this family-run business is naturally open to social and environmental concerns. Given the huge size of the business, it might also benefit from more systematic approaches to enabling elegant disruption for sustainability. The challenges and paradoxes of a large company becoming more engaged in this way is something that Anna Zegna seems conscious of, and willing to explore. “With our Vicuna project...we need to look at nuances, harmonies at balance, and converging opposites, its not all bad or all good...co-generating new systems where you have a cross fertilization between cultures, markets, different approaches, can be really very, very interesting and I believe that the future will definitely go in this direction.” For Anna, textiles express nothing less than the “...ancient richness of human culture”⁴¹ and preserving the global diversity of textiles is key. While rooted in Italian culture, Anna Zegna expresses the Transmodern mindset: not surprising then that Pistoletto's art adorns the foyer of their head office in Milan.

The Paradox and Purpose of Luxury

In conversations with people who working in the sustainability field over the past 5 years, many have said they think sustainable luxury is an oxymoron, for two main reasons. First, for people to spend a lot of money on products and services when there is so much unmet need in the world, is immoral. Second, for an industry to be based on creating demand for unnecessary consumption, is environmentally reckless. If luxury does not change, then they are right. However, if luxury comes to mean the least harm and most benefit for all and everything involved in the lifecycle of a product or service, then sustainable luxury can play a role in the transition to a more fair and sustainable world. It would mean that spending more on a watch would not be profligate, but be creating decent work throughout the supply chain, the least environmental footprint and the most revenues for conservation and community development. It would mean that creating desire for a product would be creating desire for something that would be cherished and last for decades, thereby reducing the overall consumption of natural resources, and even creating revenues for conservation. Elegant disrupters, like Kresse Wesling, naturally understand this approach, and therefore express a very different view to the norms in the fashion industry: “we probably won't ever do spring summer fall collections as we want classics that last.”

This is not the highest hope for sustainable luxury, it is the only justified approach. Without such an approach, executives seeking to green their luxury brands will help justify existing activities that are damaging to society. The case of *BMW* highlights this problem. The head of *BMW USA* has been quoted saying that it is his job to make teenage boys sleep dreaming that one day they will own a *BMW*. This highlights that their advertising is not only targeted at those who can afford a *BMW*, but to those people who will then desire what others can afford, and thus build the sense of status of those who do buy it (Kapferer and Bastien, 2009). This approach to marketing can create dissatisfaction. For instance, in recent years hundreds of luxury cars have been set on fire in Germany, including dozens of *BMW* cars in one weekend alone.⁴² If luxury executives want to continue influencing what young people dream about, then they had better take that responsibility far more seriously than the way they do now.

39 <http://www.ppr.com/en/commitments/ppr-home-long-run>

40 “Going Green : The Future of Luxury” Produced by The Luxury Channel, 2009. http://www.youtube.com/watch?v=Wlx3_22A4lo

41 Anna Zegna, personal interview with my research colleague Phyllida Jay, 24th March, 2010.

42 <http://www.businessweek.com/news/2011-08-17/mercedes-bmw-targeted-as-berlin-arsonists-burn-luxury-cars.html>

A risk management approach to sustainable luxury also misses the unique opportunity that the luxury sector has in encouraging a sustainability transition. Looking at the research on disruptive innovation, Chris Rose (2012) has argued that “paradoxically, for those who seek ethical clarity in all things, and who therefore eschew the idea of ‘luxury goods’... in order for something to most quickly spread to all parts of society, it has to pass through a phase where it is seen as a luxury choice.” Leveraging the aspirations of the public to encourage behaviour change is at the core of the elegant disruption thesis, but is that sufficient? Not according to recent research on the way people's values relate their behaviours. Therefore, to fully embrace the opportunity that luxury has to lead, we need a better understanding of that values-behaviour relationship, including both those who buy luxury items, and those who observe luxury advertising, or the brands, without buying them.

Two issues stand out for luxury brand managers seeking to have a net positive impact on sustainable behaviours. First, is the issue of 'rebound', or what happens after someone makes a purchase on the basis of social or environmental factors. The non-profit communications advisers *Common Cause* have summarised research that finds a large proportion of people making purchase decisions on the basis of environmental factors then spend the money they save on additional consumption, which offsets any environmental benefit from their initial decision. For example, someone deciding to change electrical appliances partly for environmental reasons but also to reduce electricity consumption for financial savings, can then spend the money saved on a new electrical appliance or a holiday, thereby creating no net benefit to the environment (Crompton, 2008).

Another form of rebound may come from people feeling that they have done their bit for the environment when they make a purchase decision based on environmental factors. One psychology experiment found that people who have just made a purchase on the basis of environmental factors are then likely to be less kind to others and more likely to cheat and six times more likely to steal. According to a study, when people feel they have been morally virtuous by saving the planet through their purchases of organic baby food, for example, it leads to the “licensing [of] selfish and morally questionable behaviour”, otherwise known as “moral balancing” or “compensatory ethics”.⁴³ The existence of rebound effects shows that people's values and states of consciousness – why people make a purchasing decision – is key to whether there is a net social or environmental benefit in the longer term. The implication of these findings for luxury brand managers, and others seeking to positively influence behaviours rather than instances of consumption, is that we need to explore ways of encouraging certain value sets and states of consciousness.

Therefore a second issue that must be addressed by sustainable luxury executives is ‘values reinforcement,’ or how the values the brand projects for its consumers and observers then influences the likelihood of pro- social or environmental behaviours in future. *Common Cause* reports that values have been usefully grouped by psychologists into extrinsic values – “centred on external approval or rewards” – and intrinsic values – centred on “more inherently rewarding pursuits” (Holmes et al, 2011 p20). Their examples of intrinsic values include “affiliation to friends and family, connection with nature, concern for others, self-acceptance, social justice, creativity.” Examples of extrinsic values include “wealth, material success, concern about image, social status, prestige, social power, authority” (Holmes et al, 2011 p21). *Common Cause* research analysis finds that extrinsic values are correlated with behaviours that harm the environment or society, while intrinsic values are correlated with consistent pro- social and environmental behaviours. They also find that advertising and other forms of communication can reinforce certain values and cognitive frames. As a consequence, they argue that “appeals to values such as image, status, and money are likely to reinforce these self-enhancing, extrinsic values, thereby undermining people’s concern about social and environmental problems. In view of this, we argue, on the whole, against appealing to such values, even if they might successfully motivate particular pro-environmental behaviours” (Kasser and Crompton, 2011).

Most understandings of “luxury” by the “luxury industry” consider it to be about material success and status, rather than only to do with quality, beauty or craftsmanship: luxury appears to involve extrinsic values (Kapferer and Bastien, 2009; Okonkwo, 2007). Therefore, how can a sustainable luxury entrepreneur or brand manager address

43 Connolly, K (2010) How going green may make you mean: Ethical consumers less likely to be kind and more likely to steal, study finds, The Guardian <http://www.guardian.co.uk/environment/2010/mar/15/green-consumers-more-likely-steal>

these apparent limitations on the potential for luxury products and services to play a useful role in the transition to a more fair and sustainable world? There are no simple answers, but to structure our inquiry, let us distinguish between those who buy luxury goods and services, and those who observe them and the associated communications.

For consumers, the potential for 'rebound' means that lasting and net positive social or environmental outcomes will arise if individual's concern for the related public benefits is high and that such a purchase is consistent with their sense of them selves as continually engaged in positive social action. In addition, the researched relationship between intrinsic and extrinsic values suggests that that individuals' extrinsic values would need to be weak, as otherwise they would crowd out their intrinsic values. A brand could seek to connect with and reinforce such values and motivations. Therefore the 'values reinforcement' embodied in their advertising needs to support the consumers' intrinsic values and avoid conveying extrinsic values (Holmes et al, 2011). This is easier said than done, if a particular brand or product is already associated with high status, perhaps because of the price tag. As such, further research is needed to examine what the effect of intrinsic values communications by brands traditionally associated with extrinsic values, or even embodying extrinsic values, will be on the values of consumers.

In doing such research, we will need to be careful in assuming that all extrinsic values are as "bad" as each other in terms of leading to anti social or anti environmental behaviours. The current research analysed by *Common Cause* does not look at how some extrinsic values such as "concern about image, social status, prestige, social power, authority" can be channelled towards removing stigma over certain behaviours or peoples. For instance, feminists, anti-racism and gay activists have worked on equality in ways that are not only "intrinsic" in terms of self-acceptance, but that also sought enhanced images, social status, prestige, social power and authority for certain types of person, and to re-code popular perceptions of what it means to be, for instance, a woman or black person in key professions today. When designers re-code something as socially acceptable, or having value, or somewhat 'cool' or 'trendy', as Kresse Wesling does with waste products, the extrinsic values are part of the whole communication, but only a small part, and are key to creating a new appreciation of a particular thing. Tesla Motors has had a similar effect on professional perspectives on electric cars, thus leading to new electric models being offered by many companies. Most of the things we like or do not like, do or do not do, come from socially constructed perceptions and conceptions, and many of these are shaped by things that could be categorised as extrinsic. For some, biking is now 'cool' – which is about social status. Part of it being 'cool' may be the intrinsic values which have become encoded and embodied in a physical form and a physical practice. That shows how there may be a dialectic relationship between intrinsic and extrinsic values, as values find physical form through behaviours, objects and culture. Being conscious of values and not seeking simple arguments in this exploration of how to responsibly use communications power will be important.⁴⁴

Earlier in this paper, I argued that innovation appears to begin not only with dissatisfaction with the current norms, but also attraction to a vision of something better and more beautiful. If we look back to Varga, and the earliest metal working of gold, it raises questions about what motivated people to create gold jewellery, and why that motivation was so strong that it led to a technological breakthrough. Did the innovation in metal working come from love of another? Or perhaps a desire to aggrandize the person that the metal worker loved? Or perhaps another emotion or value entirely? It is clearly impossible to say whether intrinsic or extrinsic values that motivated the metal worker, but it is probably that their motivation involved beauty and rarity, and required skill and dedication: all aspects of what many people understand as luxury. Today we may not need new ways of making metal, but innovations in a new form of alchemy, the kind that I described *Elvis and Kresse* doing in turning waste products into items that people will cherish and look after for years. That alchemy requires a shifting of perceptions, which may involve both intrinsic and extrinsic values.

44 When advocates of intrinsic values use the written form and the approach of professional debate (both of which are physical manifestations of underlying ideas, values and states of consciousness) they are likely to mobilise some extrinsic values in seeking status and authority in order to criticise others arguments or defend their own. Advocates of intrinsic values might also express the extrinsic value of social power, in order to project their ideas. This could lead to an over-extension of findings, rather than an open exploration with other schools of thought, such as from design or sociology or social movements studies. Therefore those who advocate intrinsic values and those who advocate a mixed use of values in sustainability communications could maintain attention on their own motivations and values when exploring these issues in future.

Brand communications are a dominant factor in influencing the values of consumers, but they are not the only factor. Instead, the experience of using a product or service can be the main impact on the experience of the consumer. For instance, if a luxury brand decided to launch a high-end bicycle and used its associated extrinsic values to sell the bikes, but offered further status-enhancing possibilities if a consumer actively used the bike and communicated it online, then the main impact on that person could be through their experience of cycling with a sense of self esteem. That act might lead them to understand more about road congestion and safety, as well as pay attention to what shops are closer to their work and home. The physical experience of cycling might have an impact on their brains and stress levels, opening them to calmer states of consciousness, that could lead to further pro social or environmental behaviours. I have no research on this, but use this hypothetical example to suggest that because there is a dialectical relationship between behaviours and values, we will not understand the potential for sustainable luxury if we only focus on the one way communication by brands at the point of purchase.

Another key issue to factor in this exploration is that a particular purchase then stimulates further conversations with peers, online and offline. These conversations also occur amongst people who experience luxury brand advertising, or see people with such brands. If those conversations include the origin of products and services, where things come from and what that means for the world, then whatever the values being expressed in such conversations, a reconnection with the understanding that everything comes from the material world is possible. Where could such conversations lead us?

What we need in our economic transformation is “the healing of the divide we have created between spirit and matter” says Charles Eisenstein (2011), a contemporary philosopher:

“In keeping with the sacredness of all things, I advocate an embrace, not an eschewing, of materialism. I think we will love our things more and not less. We will treasure our material possessions, honour where they came from and where they will go. If you have a treasured baseball mitt or fishing rod, you may know what I’m talking about. Or perhaps your grandfather had a favourite set of woodworking tools that he kept in perfect condition for fifty years. That is how we will honour our things. Can you imagine what the world would be like if that same care and consideration went into everything we produced? If every engineer put that much love into her creations? Today, such an attitude is uneconomic; it is rarely in anyone’s financial interest to treat a thing as sacred. You can just buy a new baseball mitt or fishing rod, and why be too careful with your tools when new ones are so cheap? The cheapness of our things is part of their devaluation, casting us into a cheap world where everything is generic and expendable.”

Eisenstein frames our current crisis not as one of needing to save the world, or save ourselves, but where we need to lose our sense of separation and reconnect with each other and the world. The implication here for luxury brands is to communicate the true stories of how a product and service came to be, not the fictional accounts that constitute most advertising today. In addition, they could encourage a participatory and inclusive sense of luxury, where people are encouraged to witness how luxury is everywhere, if you are connected to the world, making a contribution, and cherishing things that have come into your possession or shared use.

Although the intrinsic-extrinsic dichotomy is useful, perhaps it arises from a modernist and individualist view of status, which arises from a separative view of wealth as something “owned” by an individual. A transmodern perspective on status and wealth, drawing upon pre-modern ideas, could lead us to have a less suspicious view of their social implications. As Anthony Kleanthous and I concluded in *Deeper Luxury*:

“Today’s social, environmental and cultural challenges are reminding us that true wealth is the ability to provide not only for one’s own needs, but for those of others. This is an ancient idea that exists today in many cultures. For instance, ‘mana’ is a concept used across the Pacific Islands to describe a force or quality that resides in people, animals and inanimate objects, that instils in the appreciative observer a sense of respect or wonder. If someone has a lot of ‘mana’, they have the power, energy and ability to make a difference. This is because in a tribe ‘wealth’ is, by definition, of benefit to the tribe. As global awareness increases and we come to understand ourselves as a one planetary tribe, perhaps we will rediscover how prestige and status should come from having unusual access

to the energies that help others. Luxury brands can be part of that process. If not, they may come to be regarded as shallow, perhaps almost as fake as the counterfeits.” (Bendell and Kleanthous, 2007, p 45)

This discussion of paradoxes and purposes for sustainable luxury shows that 'elegant disruption' is not just about using our aspirations to encourage behaviour change, but involves reshaping or reinforcing aspirations in ways that have beneficial outcomes. This is because aspirations play a positive or negative role in shaping personal and collective well-being, through consumption, and through how certain values then relate to other anti or pro social behaviours. Thus, a catwalk show for charity, if using underweight female models in clothes that are not themselves socially or environmentally beneficial, is not elegantly disruptive, but reinforces certain attitudes and consumption patterns, and simply generate some revenues for charity. Some people may regard such a show as positive, others as counter-productive, but it is certainly not transformative or disruptive to current unsustainable norms.

Many of the elegant disrupters I have profiled in this paper seem aware of the paradoxes involved. Reese Fernandez told me “there is a danger of being pulled too much into the physical side of style, and to get trapped in that because of the branding machine.” She notes that one has to be careful in using status to promote social change. “Ethical stuff has been about status for a long time. But we can tweak it to be an aspiration to be connected to others: the gift card which says something about the person who made it, for instance, is a connection to others.” There will be many challenges ahead for elegant disrupters, if they are to run successful businesses and manage the paradoxes that exist and will emerge over time. “We need to stay true to why we are doing what we are doing, and not let our egos get in the way of serving the world,” notes Reese.

Elegant Disruption as an Emergent Practice

A range of factors have led me to sense a new field of practice could be emerging, that I have called “elegant disruption.”⁴⁵ I have summarised those factors as the role of luxury in both responding to and shaping aspirations, the history and mechanics of disruption and change in most industry sectors, the current disruptive moment in the luxury sector, the way entrepreneurs are addressing social or environmental issues with high end products. Could 'elegant disruption' be an approach to enterprise, to management, to social change, that could be modelled and copied? Perhaps. Here are four questions that I think could guide a strategy discussion about using elegant disruption:

1. What is the social or environmental problem, that is stuck?
2. Is there a behaviour that would help un-stick that problem but which is not yet desirable?
3. How can you make that desirable, in a profitable way?
4. How can you do that while encouraging wider beneficial behaviour change?

For *Tesla Motors*, the answers could be:

1. Climate change inducing emissions from transport;
2. Car makers wanting to make, and people wanting to drive, electric vehicles;
3. By launching a stylish electric sportscar with high performance, celebrity customers and luxury brand associations;
4. By encouraging consumers to become advocates of electric vehicles (which does not yet address the wider issue of carbon emissions from an electric grid).

For *Elvis and Kresse* the answers could be:

1. Waste going to landfill
2. Designers wanting to make, and people wanting to use, products made from waste materials;
3. By creating high quality products from waste that carries an interesting story, provides revenues for good causes related to the waste, and attracting the fashion press;

⁴⁵ In speeches I have used the term “beautiful disruption” interchangeably with “elegant disruption” but preferred the latter for this paper. That was to avoid needing a detailed discussion of concepts of beauty and its relationship to values and to nature. Either term can be used to describe the core concepts.

4. By demonstrating the full application of sustainability thinking in their operations, such as packaging and shipping, and eschewing typical status based advertising.

The rise of these elegant disrupters poses a number of challenges for different people and organisations: entrepreneurs themselves, incumbent luxury brands or groups, investors in luxury, activists, and educators of innovation. It is to encourage further research, dialogue, advisory and education on such implications that I have written this paper. Given the emergent nature of this field, such research could be done using a paradigm of “Co-operative Inquiry” (Heron, 1996) with the stakeholders in elegant disruption. I list some initial ideas for avenues of inquiry in Box 4. For researchers, educators and facilitators of elegant disruption, there will be particular challenges, as it is increasingly recognised that traditional approaches to teaching about innovation do not actually enable innovation (Hamel, 2010). This is highlighted by the elegant disrupters profiled in these pages. None of them reported being influenced by any management literature or courses. Summer Rayne Oakes explained “I tend to stay away from management books, they are deadening to my nerves. Its been an informal community of friends with great ideas, doing similar things and who share the vision.” Although having a management degree, Reese Fernandez agrees: “We did not receive advice on how to do this but learned just by getting our feet wet. Prototyping quickly, failing quickly, bouncing back quickly, that's been key.”

Box 4: Emerging Questions on Elegant Disruption

As elegant disruption becomes a more widespread approach in the luxury business and to social change efforts beyond luxury, there are a range of knowledge needs. Here are some first thoughts.

The Elegant Disrupters: How should they relate to the large luxury groups, and to venture capitalists? Can the ethos of the founding entrepreneurs be modelled and cultivated in all staff? Does it need to be? How should they relate to the traditional modes of fashion marketing? How can they promote the kinds of values and states of consciousness that lead to sustained pro social or environmental behaviours?

Luxury Incumbents: How can large brands and luxury groups learn from the elegant disrupters? Are some of their existing brands unable to migrate to a more meaningful image? How can they create sustainable innovation cultures? How can they engage the elegant disrupters? Should they invest or acquire them? If so, how can they keep their unique approach?

Luxury Investors: Are there characteristics of elegant disrupters that can be identified, and modelled, and be the basis of an investment strategy? Could this provide a focus for investment in a sector, consumer goods, that is not significant in many portfolios, and therefore help diversify investments?

Campaigners: How can brands effectively address the problem of reinforcing extrinsic values (in consumers and onlookers) or leading to a rebound effect? How might other organisations use elegant disruption to create social change? What are the implications of this phenomenon for how to promote social change?

Policy Makers: How can the effort to promote sustainable lifestyles learn from the practice of elegant disruption? What place is there for luxury in the sustainability transition? What policies can help elegant disruption?

Education: How can educators and facilitators teach for elegant disruption, rather than teaching about it? What case studies can be prepared? Are case studies enough to teach for innovation? How can sustainability and 'design thinking' processes be combined to enable elegant disruption?

Conclusion

The questions of how social change happens and what the future of the luxury industry will be, can appear at first to be very different and unconnected questions. However, luxury brands play a role in shaping and responding to what society perceives as aspirational, and therefore luxury and society can and do change each other.

In this paper I outlined the contemporary luxury sector, showing it is global, thriving and influential. I described concepts of luxury, and some of the history of luxury as concept and business sector. I contrasted its emphasis on heritage and longevity with how creative destruction is typical in most industry sectors, including luxury, and how disruptive innovation by entrepreneurs is key to that process. I suggested that these are disruptive times for luxury brands, due to five key trends that are beginning to re-frame the markets that luxury brands sell to: evolving tastes, critical transparency, hyper-connectivity, cultural shifts, and an emerging paradigm of thought and culture, termed Transmodernism.

I profiled luxury entrepreneurs from USA, UK, Philippines, India, Argentina, China and Hong Kong and how they are 'elegant disrupters' by making a well-designed intervention in markets that both uses and affects aspirations in ways that change patterns of consumption, production or exchange, for a positive societal outcome. For instance, the car firm *Tesla Motors* is changing the way many people, including professionals in the industry, view electric cars.

The elegant disruption of these enterprises appears to arise from the desire to solve social and environmental problems. Summer Rayne Oakes, of *Source4Style* says "I think what is most key is that the business is driven by the idea there is a problem to be solved. You can't build a company to provide a solution if there's no meaningful problem that people are concerned with. I think I've learned to create the community first, engage with a problem, start with small steps, and then the next things come along."

By reviewing the response of mainstream luxury brands to the sustainability agenda, I have found that many are encumbered in embracing this agenda fully. I suggest they are unlikely to have the levels of dissatisfaction or social vision that is key to sustainable disruptive innovations. I have argued this situation means that entrepreneurs have a major opportunity to define the future of luxury as they build their businesses.

Before concluding, I described some of the paradoxes people have identified in the notion of "sustainable luxury" and how some of these could be resolved by embracing an explicitly social role for luxury entrepreneurship, with the necessary openness to learning from critique. I concluded that more research and experimentation is required in how luxury brands can communicate sustainability to their consumers and the wider public in ways that enable lasting pro social and environmental behaviour. I opened the paper with the example of *Tesla Motors*, who are recoding professional and public attitudes to electric vehicles to enable technological progress and their widespread uptake, to reduce carbon emissions. Whether *Tesla* will have a lasting positive impact on the behaviours of its consumers may depend on how it helps its customers communicate and express intrinsic values in the rest of their lives.

The paradoxes in sustainable luxury will only begin to be resolved by embracing a purpose for luxury in reconnecting us to our material world, and to each other. That is a large large task. But the history of luxury is a history of imagination, audacity and perseverance. With that in mind, over the past 5 years I might have met the future of luxury.

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